

Head of California Earthquake Authority fully endorses Congresswoman's bill, arguing more Californians would have access to "valuable, affordable" insurance options

WASHINGTON, D.C. – Today, the House Financial Services Subcommittees on Housing and Community Opportunity and Capital Markets, Insurance, and Government Sponsored Enterprises held a joint hearing on two bills that would provide families and communities with quality, affordable insurance options to cover losses associated with natural disasters: H.R. 2555, The Homeowners' Defense Act, and H.R. 4014, The Catastrophe Obligation Guarantee Act (COGA). Congresswoman Loretta Sanchez (CA-47), who authored and introduced COGA, submitted testimony in support of her bill, which is included as a provision in The Homeowner's Defense Act.

"Earthquake insurance in California is available in policies that are too expensive for most families to afford," said Rep. Sanchez. "As a result, only twelve percent of California's homes are protected by earthquake insurance – a shockingly low number given that our state carries seventy percent of the nation's earthquake risk. My bill would take concrete and responsible action to protect California families from the financial devastation caused by these and other natural disasters."

At the hearing, experts from the Federal Emergency Management Agency (FEMA), the California Earthquake Authority (CEA), and other organizations provided testimony on the importance of increasing the number of homeowners with catastrophic insurance policies.

"Scientists and citizens alike know that it is clearly a matter of when, not if, the next damaging earthquake will strike in California," said Glenn Pomeroy, Chief Executive Officer of the California Earthquake Authority, which has endorsed COGA. "H.R.2555, and Congresswoman Sanchez's COGA provision specifically, would enable the CEA to lower insurance rates and policy deductibles. As a result, more California consumers will have broader access to earthquake insurance that is affordable and valuable."

While some state and private catastrophic insurance programs are designed to cover insured losses from natural disasters, a small but significant number of catastrophic events are likely to exceed the financing capacity of these programs. Rep. Sanchez's bill would help ensure funding for recovery is available in these situations by allowing the U.S. Treasury to guarantee any debt

incurred by state and private insurers. The Treasury would then create a long-term reimbursement program for publicly-managed insurers to pay back the government funds.

COGA and H.R. 2555 would help alleviate the costs associated with providing and purchasing catastrophic insurance and create nearly \$1 billion dollars in savings for the CEA and other disaster insurance providers over 5 years. Insurers in turn will pass those savings on to policyholders in the form of new and improved policy options and significantly reduced premium rates and policy deductibles. Because the savings are found within the system, the CEA will remain financially strong at zero cost to taxpayers.

#